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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, MAY 26, 2000

COMMONWEALTH OF VIRGINIA, *ex rel.*

STATE CORPORATION COMMISSION

v.

CASE NO. PUE980628

AUBON WATER COMPANY

ORDER ON SETTLEMENT PROGRESS REPORT

On May 1, 2000, Hearing Examiner Michael D. Thomas issued a Settlement Progress Report ("May 1 Report") in the captioned matter. By Order dated February 17, 2000, the Commission had assigned a Hearing Examiner to monitor the efforts of the Aubon Water Company ("Aubon" or "the Company") to comply with the requirements of the Commission's Order of Settlement issued on December 16, 1998 ("Order of Settlement"). In the Order of Settlement, the Commission had required Aubon to install water treatment facilities for its Long Island Estates subdivision, near Smith Mountain Lake in Franklin County, Virginia. More specifically, Aubon was required to install a water treatment facility to remove the iron and manganese from the subdivision's water system and to meet certain deadlines for the design and construction of the facility.

The May 1 Report described in detail what has occurred since the Hearing Examiner began monitoring the Company's

efforts to comply with the directives of the Settlement. The Hearing Examiner stated that he had scheduled and presided over a hearing in this matter on March 7, 2000, to gather evidence of the current status of the construction of the water treatment facility, and to attempt to resolve any issues that may have been impeding the construction. The Report summarizes the testimony of the witnesses at the hearing, and discusses the Examiner's assessment of Aubon's difficulties and his view of the possible outcomes in this case.

The Hearing Examiner also made several recommendations to the Commission that would, in his opinion, advance the resolution of this matter. More specifically, the Hearing Examiner recommended that the Commission extend the date by which Aubon must secure financing for construction of the water treatment facility from August 17, 2000, to December 31, 2000. He also recommended that the Staff be directed to evaluate whether a small water company should maintain a capital account to address unexpected repairs and improvements to its water system, or meet a minimum net worth requirement as a condition of operating in Virginia. Finally, he recommended that the Commission direct him to continue to monitor Aubon's compliance with the Order of Settlement. The Hearing Examiner provided an opportunity for parties to file comments on the May 1 Report within 15 days of the date of the issuance of that report.

No party filed comments on the May 1 Report.

NOW THE COMMISSION, having considered the May 1 Report and the applicable law, is of the opinion and finds that the Hearing Examiner's recommendations, set forth in the May 1 Report, are reasonable and should be adopted. Accordingly,

IT IS ORDERED THAT:

(1) Staff shall conduct an investigation into the matters recommended by the Hearing Examiner, as discussed herein.

(2) Aubon shall secure financing for construction of the water treatment facility on or before December 31, 2000.

(3) The Hearing Examiner is hereby directed to continue monitoring the Company's compliance with the Commission's Order of Settlement in Case No. PUE980628.